



nerej

Transformation of Renewable Energy Incentives

February 24, 2011 - Green Buildings

On December 19, 2010, President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (the 2010 Tax Act), which includes a one-year extension to the Section 1603 Federal Treasury Grant program (the Cash Grant) and allows a 100% depreciation bonus on the value of renewable energy equipment. On January 31, 2011, the Mass. Department of Energy Resources reduced the 2011 Alternative Compliance Payment (ACP) for Solar Renewable Energy Certificates (SREC) by 8.3%, from the initial rate of \$600 per MWh in 2010 to \$550 per MWh.

The Cash Grant allows the U.S. Treasury Department to appropriate funds (generally equal to 30% of the cost of the project) to qualified applicants installing renewable energy facilities. For developers seeking to qualify their new renewable energy projects for the Cash Grant (in lieu of an Investment Tax Credit), the 2010 Tax Act adds a year to the deadline for beginning construction. The 2010 Tax Act's 100% depreciation bonus enactment allows owners to depreciate the value of their renewable energy system during the year the project is placed into service.

An SREC is a tradable certificate that represents the clean environmental attributes of electricity generated from a solar photovoltaic electric system. Each time the system generates 1 MWh of electricity, an SREC is issued. Each minted MWh can be sold or traded as an SREC on the open market. If a Mass. investor owned electricity utility falls short of its solar Renewable Energy Portfolio Standard (RPS) requirements, it must pay an ACP, which effectively creates a ceiling for SREC pricing, and its reduction may affect the SREC market price in 2011.

Renewable energy incentives, including net metering options, will continue to transform as the industry matures, and given the sustainability trend that the nation has embraced, such growth is certain.

Adam Braillard is an attorney with Prince Lobel Glovsky & Tye LLP, Boston.

New England Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540